How Much Would a Single Payer System Cost?

Compiled by Physicians for a National Health Program (PNHP)

(Updated through February 2005)

http://www.pnhp.org/facts/single_payer_system_cost.php

National Studies

June, 1991 General Accounting Office

"If the US were to shift to a system of universal coverage and a single payer, as in Canada, the savings in administrative costs [10 percent of health spending] would be more than enough to offset the expense of universal coverage" ("Canadian Health Insurance: Lessons for the United States," 90 pgs, ref no: gao-03-672sp. Full text available online at www.gao.gov).

December, 1991 Congressional Budget Office

"If the nation adopted…[a] single-payer system that paid providers at Medicare's rates, the population that is currently uninsured could be covered without dramatically increasing national spending on health. In fact, all US residents might be covered by health insurance for roughly the current level of spending or even somewhat less, because of savings in administrative costs and lower payment rates for services used by the privately insured. The prospects for con-trolling health care expenditure in future years would also be improved." ("Universal Health Insurance Coverage Using Medicare's Payment Rates")

April, 1993 Congressional Budget Office

"Under a single payer system with co-payments …on average, people would have an additional $54 to spend…more specifically, the increase in taxes… would be about $856 per capita…private-sector costs would decrease by $910 per capita.

The net cost of achieving universal insurance coverage under this single payer system would be negative."

"Under a single payer system without co-payments people would have $144 a year less to spend than they have now, on average…consumer payments for health would fall by $1,118 per capita, but taxes would have to increase by $1,261 per capita to finance this plan." ("Single-Payer and All-Payer Health Insurance Systems Using Medicare's Payment Rates" ref : CBO memorandum, 60 pages)

July, 1993 Congressional Budget Office

"Enactment of H.R. 1300 [Russo's single payer bill] would raise national health expenditures at first, but reduce spending about 9 percent in 2000. As the program was phased in, the administrative savings from switching to a single-payer system would offset much of the

increased demand for health care serv-ices. Later, the cap on the growth of the national health budget would hold the rate of growth of spending below the baseline. The bill contains many of the elements that would make its limit on expenditures reasonably likely to succeed, including a single payment mechanism, uniform reporting by all providers, and global prospective budgets for hospitals and nursing homes." ("Estimates of Health Care Proposals from the 102nd Congress" ref: CBO paper, July 1993, 57pages)

December, 1993 Congressional Budget Office

S491 (Senator Paul Wellstone's single payer bill) would raise national health expenditures above baseline by 4.8 percent in the first year after implementation. However, in subsequent years, improved cost containment and the slower growth in spending associated with the new system would reduce the gap between expenditures in the new system and the baseline. By year five (and in subsequent years) the new system would cost less than baseline. ("S.491, American Health Security Act of 1993")

June, 1998, Economic Policy Institute

"In the model presented in this paper, it is assumed that in the first year after implementing a universal, single-payer plan, total national health expenditures are unchanged from baseline. If expenditures were higher than baseline in the first few years, then additional revenues above those described here would be needed. However, these higher costs would be more than offset by savings which would accrue within the first decade of the program."

Universal coverage could be financed with a 7 percent payroll tax, a 2 percent income tax, and current federal payments for Medicare, Medicaid, and other state and federal government insurance programs. A 2 percent income tax would offset all other out-of-pocket health spending for individuals. "For the typical, middle income household, taxes would rise by $731 annually. For fully 60% of households, the increase would average about $1,600…costs would be redistributed from the sick to the healthy, from the low and middle-income house-holds to those with higher incomes, and from businesses currently providing health benefits to those that do not.

"Even more important, greater efficiency and improved cost containment would become possible, leading to sizable savings in the future. The impediment to fundamental reform in health care financing is not economic, but political. Political will, not economic expertise, is what will bring about this important change."
("Universal Coverage: How Do We Pay For It?" – Edie Rasell, M.D. PhD).

State Studies

November 1994: New Mexico

Single Payer could save $151.8 million and cover all the uninsured

The Lewin consulting group was hired to perform a fiscal study of alternative reform plans for the state of New Mexico. The study looked at single payer, managed competition, and an individual and employer-mandate.

The study concluded that a single-payer system with modest cost-sharing was the only plan that would cover all the uninsured and save over $150 million per year (estimates given for 1998). Such a plan could be financed with a payroll tax of 7.92 percent (employer 80 percent/employee 20 percent) and a 2 percent tax on family income. If patient cost sharing was eliminated, the single payer program would cover all the uninsured for a net increase in costs of $9.1 million.

The group's estimates of administrative savings were very conservative, about half of what other estimates have found. Thus, it is likely that a single payer program in the state of New Mexico could provide coverage for all the uninsured with no increase in current health resources.
Source :("The Financial Impact of Alternative Health Reform plans in New Mexico" by Lewin-VHI, Inc. November 14, 1994.)

April 1995: Delaware

Single Payer would save money in Delaware

A fiscal study of single payer in Delaware by Solutions for Progress found that Delaware could save $229 million in the first year (1995). In ten years, the cumulative savings would exceed $6 billion, over $8,000 for every person in Delaware. "The benefit package for the single-payer system modeled in the report will cover all medically necessary health services" with "virtually no co-payments nor any out-of-pocket health expenditures for any covered benefit."

The study's authors' note that they used a low estimate for administrative savings while using a high estimate for increased costs for utilization in order to assure a high margin for error and adequate funding.
Source: ("Single-payer financing for Universal Health Care in Delaware: Costs and Savings" prepared for the Delaware Developmental Disabilities Planning Council, April 1995 is 11 pages. Solutions for Progress, 215-972-5558. Two companion papers are also available: "Health Expenditures in Delaware Under Single-Payer Financing" and "Notes for Delaware Health Care Costs and Estimates for the Impact of Single Payer Financing.")

February 1995: Minnesota

Single Payer to save Minnesota over $718 million in health costs each year

A March 1995 study conducted by Lewin-VHI for the Minnesota legislature found that single-payer with modest co-pays would insure all Minnesotans and save Minnesota over $718 million health costs each year. The projected savings are conservative since Lewin-VHI global budgets or fee schedules to control costs.

Source: Program Evaluation Divison, Office of the Legislative Auditor, State of Minnesota pg 68. "Health Care Administrative Costs" February 1995.

December 1998: Massachusetts

Two fiscal studies of single payer for the Massachusetts Medical Society show savings & benefits:

Lewin Group Solutions for Progress/Boston University School of Public Health (SFP/BUSPH)
"In early 1997, the Massachusetts Medical Society retained the services of two consulting teams to independently analyze the relative costs of a Canadian style single-payer system, and the current multi-payer health care system in Massachusetts."

"While Lewin and SFP/BUSPH reports differed in their orientations and methodologies, they reached similar conclusions. First, a single-payer system would achieve significant administrative savings [between $1.8 and $3.6 billion] over the current multi-payer system. Secondly, these savings are of such a magnitude that the available funds would be sufficient to insure universal coverage in the state and provide comprehensive benefits including outpatient medications and long-term care and eliminate all out-of-pocket payments (co-payments, deductibles)."

"The major difference in the studies findings had to do with the timing of achieving the cost savings. SFP/BUSPH estimated that the savings could be in the first year of implementation of the system. Lewin felt the savings would begin in year six."

Source: (Massachusetts Medical Society House of Delegates Report 207, A-99 (B).
Full text of the studies are available online at: http://www.massmed.org/pages/lewin.asp)

December, 2002: Massachusetts

Single Payer only plan to cover all and save money in Massachusetts

In the summer of 2001, the legislature allocated $250,000 to develop a plan for "universal health care with consolidated financing" for Massachusetts. The pro-HMO consulting firm LECG studied three options; only the single-payer option met the study criteria. Despite their industry bias LECG reported 40 percent of every health care dollar spent in the state of Massachusetts goes to administrative costs.

The initial LECG report had two major flaws: It did not include the costs of taking care of the uninsured in the non-single-payer plans, and it did not take into consideration the huge administrative savings possible under single-payer. If these factors are taken into account, single payer is the only plan to cover everyone and save money.
Source: (To get the full report e-mail: UHCEF@aol.com)

June, 2000: Maryland

Single Payer Would Save Money in Maryland

A single-payer system in the state of Maryland could provide health care for all residents and save $345 million on total health care spending in the first year, according to a study by the D.C. based consulting firm Lewin, Inc. The study also found that a highly regulated "pay or play" system (in which employers either provide their workers with coverage or pay into a state insurance pool) would increase costs by $207 million.

Editors' Note: The pro-business Lewin group probably underestimated the administrative savings from single payer and overestimated the administrative savings (and hence understated the costs) of their "pay or play" model. Data from hospitals in Hawaii, where there are only a few major insurers, suggest that if you have more than one payer, there are few administrative savings. However single-payer systems in Canada, the U.K., Sweden and other countries have garnered administrative savings substantially larger than assumed by Lewin. Hence the estimate by Lewin that single-payer universal coverage would cost $550 million less to implement in the first year than "pay or play" is high.

Source: ("Full text of the study available online at: http://www.healthcareforall.com")

August 2001: Vermont

Universal Health Care Makes "Business Sense"

Single-payer universal health coverage could save Vermonters more than $118 million a year over current medical insurance costs and cover every Vermonter in the process, according to a study paid for by a federal grant and prepared for the Office of Vermont Health Access by the Lewis Group. "Our analysis indicates that the single payer model would cover all Vermont residents, including the estimated 51,390 uninsured persons in the state, while actually reducing total health spending in Vermont by about $118.1 million in 2001 (i.e., five percent). These savings are attributed primarily to the lower cost of administering coverage through a single government program with uniform coverage and payment rules"
Source: ("Analysis of the Costs and Impact of a Universal Health Care Coverage Under a Single Payer Model for the State of Vermont", The Lewin Group, Inc. Full text of the study is available on-line at: www.dsw.state.vt.us/districts/ovha/spgappendixf.pdf)

April 2002: California

State Health Care Options Project

A study of nine options for covering California's seven million uninsured by the conservative D.C.- based consulting firm of Lewin, Inc found that a single payer system in California would reduce health spending while covering everyone and protecting the doctor-patient relationship. Three of the nine options analyzed by Lewin for their fiscal implications included single payer financing.
1.) A proposal by James Kahn, UCSF, Kevin Grumbach, UCSF, Krista Farley, MD, Don McCanne, MD, PNHP, and Thomas Bodenheimer, UCSF, would cover nearly all health care services including prescription drugs, vision and dental for every Californian through a government-financed system while saving $7.6 billion annually from the estimated $151.8

billion now spent on health care.
2.) A second proposal by Ellen Shaffer, UCSF- national health service- Would reform both financing of and the delivery system so that every Californian has a "medical home", that is, a primary care physician with an ongoing relationship with that patient. Like the Kahn et al proposal, it saves about $7.5 billion through various efficiencies.
3.) The third by Judy Spelman, RN, and Health care for All, covers care for every Californian in a manner similar to the Kahn et al proposal but eliminates all out-of-pocket costs. Its cost savings are estimated at $3.7 billion.
All three proposals stabilize the health care system, reduce paperwork, and protect the doctor-patient relationship by eliminating the role of for-profit HMOs and insurers. The Kahn et al proposal envisions that the not-profit Kaiser Permanente, the state's largest integrated health system, would continue.
Source: (Contact Sandra (916)654-3454 to get a copy of the full report)

(See also February 2005 report)

December 2002: Maine

Single Payer an economically feasible option for Maine

The June 2001 Maine legislature created a nineteen member Health Security Board to develop a single payer system for Maine. In July, the Board contracted with the consulting firm Mathematica Policy Research, Inc, (MPA) firm to study the feasibility of single payer in the state. The firm found that single payer would cost about the same amount as the current system, while covering all 150,000 uninsured residents. Depending on the benefits provided by the system, single payer would cost the same as current state health spending, or increase health spending by 5 percent. (Note, the consultants were very conservative when estimating administrative savings, which could more than offset the 5 percent increase).

"Estimates from the model indicate that, under current policy, health care spending in Maine will continue on a path of steady increase—-rising by 37 percent between 2001-04 and by 31 percent between 2004-08. The model projects that a single-payer health system would produce a net increase in total health care spending under most benefit designs that MPA estimated, but this increase in spending would decline over time as the system realizes savings through global budgeting, reductions in administrative costs, and enhanced access to primary and preventive care."

"By reducing administrative spending and increasing overall demand for health care, a single payer system would generate some change in employment in Maine… However a single payer plan would improve health sector productivity by redistributing jobs from administrative to clinical positions."

"In summary, a single payer system appears to be economically feasible for Maine."
Source: (Mathematica Policy Research, Inc, "Feasibility of a Single-Payer Health Plan Model for the State of Maine" Final report 12/24/03/, MPR Ref No: 8889-300, 80 pages. http://www.mathematica-mpr.com/PDFs/mainefeasibility.pdf)

November 2002: Rhode Island

Single Payer would save $270 million in Rhode Island

A study of single-payer in Rhode Island by analysts with Boston University School of Public Health and the consulting firm Solutions for Progress found that current health spending in Rhode Island is 21.5 percent above the national average and that incremental reforms cannot solve the state's health problems.
Solutions for Progress studied two models of single payer reform one with consolidated financing alone, and one with consolidated financing combined with "professionalism within a budget." They found that without health care reform, Rhode Island's costs would continue to rise, while both models of single-payer could provide universal coverage while saving an estimated $270 million in the first year.

At first, the administrative and bulk purchasing savings have the largest impact. But over time, slowing the rate of inflation to 4 percent by making health professionals responsible for using resources prudently, ("professionalism within a budget") has a larger impact. Over six years, they estimate that consolidated financing alone would save $4.4 billion, while single payer with "professionalism within a budget" delivery system reform would save over $6.6 billion. Again, both models of single payer would provide coverage for all the uninsured and improve coverage for all Rhode Islanders.

Source: ("Rhode Island Can Afford Health Care for All: A Report to the Rhode Island General Assembly" On-line at www.healthreformprogram.org. For copies of this report, please contact Alan Sager or Deborah Socolar or phone the Health Services Department at (617) 638-5042.)

October 2003: Missouri

Single Payer Would Save $1.3 billion in Missouri

Missouri Foundation for Health conducted a study on "health care expenditures and insurance in Missouri".

A single payer health care plan in the state of Missouri would reduce overall spending by about $3 billion. "Assuming the universal health care plan adopted a benefit package typically found in the state, spending among the uninsured and underinsured would rise by nearly $1.3 billion when fully implemented. On the other hand, the use of a streamlined single claims and billing form (electronically billed) would reduce overall spending by about $3 billion. As a result health care spending would decline by approximately $1.7 billion."
"Even if the state would adopt a more generous benefit package-one more generous than 75 percent of all private insurance benefits in the state-overall spending would decline. Overall health care spending would likely decline by $ 1.3 billion under the streamlined administrative structure."
Source: ("A Universal Health Care Plan for Missouri", the full report can viewed at http://www.mffh.org/ShowMe3.pdf)

June 2004: Georgia

Single Payer in Georgia would reduce healthcare spending

A fiscal study by the Virginia-based Lewin Group found that Single Payer health would cover all Georgia residents and save $716 million annually.

The "SecureCare" program would offer residents a comprehensive benefits package that includes long-term care and prescription drug coverage. It would be financed by replacing health insurance premiums with a combination of payroll and income taxes as well as modest new tobacco, alcohol and sales taxes. " Nearly all Georgia families would pay less for health care than they are today for much better coverage.

Source: (The Lewin Group, Inc. "The Georgia SecureCare Program: Estimated Cost and Coverage Impacts" Final report 10/21/03)
("Full text of the study available online at:
http://www.pnhp.org/news/lewinanalysis.pdf)

February 2005: California

California could save $344 billion over 10 years with single payer

A study by the Lewin Group, finds that singlepayer would save California $343.6 billion in health care costs over the next 10 years, mainly by cutting administration and using bulk purchases of drugs and medical equipment.

The bill's author, Sen. Sheila Kuehl, D-Santa Monica, said the report "demonstrates that we can do it. We need the will to do it. It makes insurance affordable for everybody."

Lewin Group Report
The Health Care for All Californians Act: Cost and Economic Impacts Analysis
January 19, 2005

Fact Sheet
* The Lewin report, prepared by an independent firm with 18 years of experience in healthcare cost analysis, affirms that we can create a fiscally sound, reliable state insurance plan that covers all Californians and controls health cost inflation.
* The Lewin report shows that all California residents can have affordable health insurance; and that, on average, individuals, families, businesses and the state of California, all of whom are now burdened with rising insurance costs, will save money.
* In February, State Senator Sheila Kuehl (D-23) will introduce the California Health Insurance Reliability Act (CHIRA), based on these findings. CHIRA, based on the Lewin Report model will insure every Californian and allow everyone to choose his or her own doctor.

Savings Overall
The Lewin report model would achieve universal coverage while actually reducing total health

spending for California by about $8 billion in the first year alone. Savings would be realized in two ways:

1. The Act would replace the current system of multiple public and private insurers with a single, reliable insurance plan. This saves about $20 billion in administrative costs.
2. California would buy prescription drugs and durable medical equipment (e.g., wheelchairs) in bulk and save about $5.2 billion.

Savings for State and Local Governments
* In addition, state and local governments would save about $900 million, in the first year, in spending for health benefits provided to state and local government workers and retirees.
* Aggregate savings to state and local governments from 2006 to 2015 would be about $43.8 billion.

Savings for Businesses
* Employers who currently offer health benefits would realize average savings of 16% compared to the current system.

Savings for families
* Average family spending for health care is estimated to decline to about $2,448 per family under the Act in 2006, which is an average savings of about $340 per family.
* Families with under $150,000 in annual income would, on average, see savings ranging between $600 and $3,000 per family under the program in 2006.

Cost Controls
* By 2015, health spending in California under the Act would be about $68.9 billion less than currently projected. Total savings over the 2006 through 2015 period would be $343.6 billion.
* Savings to state and local governments over this ten-year period would be about $43.8 billion.

Comprehensive Benefits
* The Lewin Report assumes an insurance plan that covers medical, dental and vision care; prescription drug; emergency room services, surgical and recuperative care; orthodontia; mental health care and drug rehabilitation; immunizations; emergency and other necessary transportation; laboratory and other diagnostic services; adult day care; all necessary translation and interpretation; chiropractic care, acupuncture, case management and skilled nursing care.

Efficiencies
* The Lewin Report shows that efficiencies in the system make these superior benefits available while generating savings.

Freedom to Choose
*The Lewin Report model assumes the consumer's freedom to choose his or her own care providers. This means that each Californian will be free to change jobs, start a family, start a business, continue education and or change residences, secure in the knowledge that his or her relationships with trusted caregivers will be secure.

For more information please go to the below link:
http://democrats.sen.ca.gov/senator/kuehl/

Major fiscal consulting groups:
The Lewin Group, Washington DC (703) 269-5500
Mathematica Policy Research Group (609) 799-3535
Health Reform Program, Boston University (617) 638-5042
Solutions for Progress (215) 972-5558

***Compiled and updated by Padma Alavilli, February 2005**